

Message Text

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ACTION EB-08

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AGRE-00 AID-05 CIAE-00 COME-00 INR-07 LAB-04
NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CEA-01 ABF-01
PA-01 PRS-01 NSC-05 SS-15 H-01 /129 W
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E.O. 11652: N/A

TAGS: UNCTAD, EGEN

SUBJECT: UNCTAD: NEGOTIATING CONFERENCE ON A COMMON FUND: CURRENT
ACTIVITIES OF NEGOTIATING GROUPS (NG'S)

1. ACTIVITY AT THE CONFERENCE CONTINUES TO BE CENTERED IN THE THREE NEGOTIATING GROUPS (NG'S) WHICH BEGAN DAILY MEETINGS MARCH 16. ATTENTION IS FOCUSED PRIMARILY ON NG I (OBJECTIVES AND OPERATIONAL MODALITIES), WHERE GROUP B CONTINUES TO SEEK ANSWERS TO A NUMBER OF QUESTIONS ON THE OBJECTIVES AND PRINCIPLES OF THE G-77 CF PROPOSAL BUT WITH LITTLE USUCCESS. NG II AND NG III ARE DEALING WITH TECHNICAL ISSUES IN AN ATTEMPT TO GENERATE DISCUSSION OF FINANCING, STRUCTURE, VOTING, ETC. FOR VARIOUS OPTIONS OF A CF AS THEY MIGHT EMERGE FROM NG I. THE FOLLOWING IS A BRIEF SUMMARY OF ACTIVITIES IN THE THREE GROUPS THROUGH MARCH 21.

2. NG I (OBJECTIVES AND OPERATIONAL MODALITIES): FIRST THREE DAYS OF DISCUSSIONS IN NG I, FOCUSED ON RELATIONS BETWEEN A CF AND INDIVIDUAL COMMODITY ORGANIZATIONS
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(ICOS), AND ON THE PRACTICALITY OF CENTRAL SOURCE FINANCING FOR BUFFER STOCKS. GROUP B INDICATED THAT ANY KIND OF CENTRAL FUNDING MECHANISM MUST RESPECT THE AUTONOMY OF THE ICOS, AND MUST DEAL ONLY WITH ICOS WHICH INCLUDE THE PRODUCERS AND CONSUMERS ACCOUNTING FOR THE MAJOR SHARE OF WORLD TRADE. GROUP B SPOKESMAN ALSO EXPRESSED CONCERN THAT CENTRAL SOURCE FUNDING WOULD

BREAK THE LINK BETWEEN BENEFITS AND COSTS OF STABILIZATION MEASURES WHICH EXISTS WHEN INDIVIDUAL ICOS RAISE THEIR OWN FINANCING.

3. G-77 RESPONSES STRESSED THEIR CLAIM THAT A CENTRAL SOURCE OF "READY AND AVAILABLE" FUNDING WOULD FACILITATE THE NEGOTIATION OF COMMODITY AGREEMENTS. THEIR SPOKESMAN (ALATAS OF INDONESIA) NOTED THAT WHILE GROUP B CLAIMED THAT FUNDING HAS NOT BEEN THE MAJOR OBSTACLE TO THE NEGOTIATION OF NEW ICOS, GROUP B COUNTRIES HAVE BEEN UNWILLING TO MAKE ANY COMMITMENT TO THE PRINCIPLE OF SHARED RESPONSIBILITY FOR FUNDING ICOS. ALATAS ARGUED THAT TO DATE IT IS PRODUCERS WHICH BEAR THE BRUNT OF ICO FINANCING, WHETHER THROUGH DIRECT CONTRIBUTIONS OR THROUGH EXPORT CONTROLS AND RESULTING NATIONAL STOCKS OR CUTS IN PRODUCTION. ALATAS ALSO ARGUED THAT IF MEMBER GOVERNMENTS ACT RESPONSIBLY IN CONTEXT OF ICOS, THEY WILL BE EQUALLY RESPONSIBLE IN ALLOCATING RESOURCES IN CONTEXT OF A CF.

4. NG I ALSO DISCUSSED ON MARCH 21 THE SUBJECT OF "OTHER MEASURES" (E.G., RESEARCH, PROMOTION, AND DIVERSIFICATION). G-77 ARGUES THAT IN AN INTEGRATED APPROACH, A CF MUST BE ABLE TO DEAL WITH ALL APPROPRIATE MEASURES TO ACHIEVE STABILIZATION, PARTICULARLY FOR NONSTOCKABLE PRODUCTS. THEY ARGUE FOR A "SECOND WINDOW" IN CF WITH LIMITED RESOURCES TO FINANCE THESE NON-STOCKING MEASURES. GROUP B RESPONDED THAT OTHER MEASURES TEND EITHER TO BE NONREIMBURSEABLE (PROMOTION LIMITED OFFICIAL USE

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AND RESEARCH) OR LONG-TERM DEVELOPMENT LOANS (DIVERSIFICATION). IN EITHER CASE SUCH PROJECTS WOULD REMOVE RESOURCES FROM A CF AND HENCE DIMINISH ITS ABILITY TO CONDUCT BUFFER STOCKING OPERATIONS. FURTHERMORE, SUCH DEVELOPMENT PROJECTS CAN BEST BE HANDLED BY EXISTING IFIS, AND HENCE NO NEED FOR A NEW INTERNATIONAL INSTITUTION.

5. NG II (FINANCIAL MATTERS): IN THE FOUR NEGOTIATING SESSIONS HELD THUS FAR, G-77 HAS PUSHED FOR AGREEMENT ON BASIS ITS PRELIMINARY POSITION PAPER (DISTRIBUTED AS TD/IPC/CF/CRP/3 AT SECOND PREPCOM). GROUP B IN TURN HAS INSISTED ON DETAILED DISCUSSION OF FINANCIAL ISSUES AND SUCCEEDED IN FORCING DETAILED DISCUSSION OF FIRST POINT OF NG II'S FOUR-POINT AGENDA (A FUND'S OVERALL FINANCIAL REQUIREMENTS), DRAWING ON U.S. PAPER CRITICIZING ASSUMPTIONS UNDERLYING UNCTAD DOCUMENTATION. GROUP B PLANS TO PURSUE SAME COURSE FOR REMAINDER OF NG II DISCUSSIONS DEALING WITH OTHER THREE

POINTS OF AGENDA, I.E., FINANCIAL STRUCTURE AND ASPECTS OF OPERATIONS, SUBSCRIPTIONS, AND OTHER SOURCES OF FINANCE. IN THEIR INFREQUENT INTERVENTIONS, GROUP B (SOVIET UNION AND EASTERN EUROPEANS) HAVE QUESTIONED THE FINANCIAL UNCERTAINTIES IN THE CF PROPOSAL, ALBEIT CAUTIOUSLY AND OBLIQUELY. CHINA HAS NOT BEEN HEARD FROM.

6. DISCUSSIONS SO FAR IN NG II HAVE BEEN DESULTORY AND UNPRODUCTIVE FOR THE MOST PART, WITH BOTH GROUP B AND G-77 ARGUING FROM SET POSITIONS. G-77 HAS STATED DISCUSSION OF EACH AGENDA ITEM WITH ASSERTION THAT ITS POSITION IS ALREADY ON THE TABLE AND THAT TIME HAS COME FOR EITHER GROUP B EMENDMENTS OR COUNTER-PROPOSALS, NOT FURTHER TECHNICAL DISCUSSIONS. AN EXAMPLE OF ARGUMENT USED BY G-77 TO TRY TO DEFLECT DETAILED DISCUSSION OF FINANCIAL REQUIREMENTS WAS ITS ASSERTION THAT SINCE NO OTHER IFI WAS REQUIRED TO UNDERGO SUCH A DETAILED LIMITED OFFICIAL USE

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EXAMINATION AT ITS FOUNDING OR TO PREDICT PRECISELY WHAT ITS FINANCING REQUIREMENTS MIGHT EVENTUALLY BE, THERE WAS NO REASON WHY CF PROPOSAL HAD TO UNDERGO THIS KIND OF SCRUTINY. WE HAVE STATED GENERALLY THAT STRUCTURE AND FUNCTIONS OF EXISTING IFIS DIFFER GREATLY FROM PROPOSED CF.

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7. NG III (ORGANIZATIONAL AND LEGAL QUESTIONS): NG III HAS BEEN LATER STARTING ITS WORK THAN OTHER GROUPS; THE G-77 HAS BEEN MORE PREOCCUPIED WITH THE WORK OF THE FIRST TWO GROUPS AND IS APPARENTLY DIVIDED INTERNALLY ON A NUMBER OF INSTITUTIONAL ISSUES, INCLUDING THE ALLOCATION OF VOTES AMONG GEOGRAPHICAL AND ECONOMIC INTEREST GROUPS. AT THE FIRST SUBSTANTIVE MEETING OF THE NG ON MARCH 21, THE G-77 GAVE ITS PRELIMINARY IDEAS ON ORGANIZATIONAL STRUCTURE OF A COMMON FUND (I.E., BOARD OF GOVERNORS, EXECUTIVE COUNCIL AND MANAGING DIRECTOR BASED ON IFI MODEL), WHICH WERE ALMOST IDENTICAL TO IDEAS PRESENTED BY G-77 SPOKESMAN IN FIRST PREPCON MEETING, DESCRIBED IN PARAGRAPH 43 OF DOCUMENT TD/B/IPC/CF/4. GROUP B SPOKESMAN (MONTGOMERY OF CANADA) POINTED OUT THAT WHILE WE CAN EXAMINE ALTERNATIVE ORGANIZATIONAL STRUCTURES AND ASK CERTAIN QUESTIONS, IT IS DIFFICULT TO PROCEED BEYOND THIS APPROACH AS LONG AS THE OBJECTIVES AND MODES OF OPERATION FOR A COMMON FUND REMAIN UNCLEAR. HE ALSO STRESSED THE NEED FOR AN ORGANIZATIONAL STRUCTURE TO BE TAILORED TO THE FUNCTIONS THAT A COMMON

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FUND MIGHT UNDERTAKE AND TO CONSIDER HOW AN ORGANIZATION WOULD TAKE INTO ACCOUNT THE INTERESTS OF PRODUCERS/CONSUMERS, EXPORTERS/IMPORTERS, DONORS/RECIPIENTS, ETC.

8. GROUP D (EAST EUROPEAN COMMUNIST STATES) SAID THAT THE ORGANIZATIONAL STRUCTURE PROPOSED BY THE G-77 IS ONE OF A NUMBER OF ALTERNATIVES WHICH MIGHT BE ACCEPTABLE, BUT SAID THAT ITS VIEWS ON ORGANIZATIONAL QUESTIONS ARE PRELIMINARY SINCE MOST OF THE WORK OF NG III IS CONNECTED WITH THE ISSUES BEING CONSIDERED IN THE OTHER TWO GROUPS. THE G-77 REPLIED BY SUGGESTING THAT GROUP B EXAMINE THE G-77 PAPERS ON OBJECTIVES AND MODALITIES WHICH CLEARLY SHOW WHAT A COMMON FUND WILL DO.

9. NEGOTIATING GROUP III IS SCHEDULED TO MEET AGAIN MARCH 22 TO DISCUSS MEMBERSHIP AND ORGANIZATIONAL STRUCTURE. IT PLANS TO TAKE UP DECISION-MAKING PROCESS AND VOTING, LEGAL STATUS AND RELATIONS WITH OTHER ORGANIZATIONS, AND GENERAL LEGAL PROVISIONS AFTER WORK IS FURTHER ADVANCED IN THE OTHER NEGOTIATING GROUPS. THE G-77 SPOKESMAN TOLD US DEL, HOWEVER, THAT HE DOUBTS WHETHER WORK CAN PROCEED VERY FAR IN NG III, SINCE THE G-77 HAVE NOT YET BEEN ABLE TO REACH AGREEMENT ON A PAPER

THEY SEEK TO TABLE ON MEMBERSHIP AND ORGANIZATIONAL
STRUCTURE.

10. ALL THREE NEGOTIATING GROUPS WILL CONTINUE
THEIR WORK AS INDICATED ABOVE FOR THE REMAINDER OF THE
WEEK, BUT CONFERENCE PRESIDENT WALKER HAS INDICATED TO
CONFERENCE LEADERS FROM ALL GROUPS THAT HE WILL
WISH SOON TO BEGIN ORGANIZING WORK ON DRAFTING LANGUAGE
(WHAT FORMAT THIS LANGUAGE WILL TAKE IS NOT YET DEFINED, BUT WE
ASSUME IT WILL BE IN RESOLUTION FORM). GROUP B, WITH
US AND EC BACKING, IS RESISTING ANY EARLY MOVE INTO
THIS STAGE. SORENSON
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Message Attributes

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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
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SAS ID: 3038588
Secure: OPEN
Status: NATIVE
Subject: UNCTAD: NEGOTIATING CONFERENCE ON A COMMON FUND: CURRENT ACTIVITIES OF NEGOTIATING GROUPS (NG'S)
TAGS: EGEN, US, UNCTAD
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/52f434b4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009